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Chip shortage pushes up smartphone prices

Manufacturers cite higher memory-chip costs, AI-driven demand and global supply constraints for rising handset prices

By Kalbe Ali

ISLAMABAD: The increasing use of AI, along with the impact of the global "chip war", is becoming evident even in local markets, as smartphone prices have started to rise.

While Infinix and Tecno have already announced higher rates, other brands, including Vgotel, Vivo, Realme, Oppo, etc., plan to announce new rates in the coming week.

Manufacturers say this is due to the high cost of chipsets.

"The memory chips have become costlier, between 20 and 30 per cent, and all of it is imported," said Muzaffar Paracha, Senior Vice-Chairman of the Pakistan Mobile Phone Manufacturers Association (PMPMA).

Manufacturers noted that the cost of memory chips has increased by $20-30 per set. This is because the world is facing a shortage of memory chips.

"There are only three key producers of mobile phones — Apple, Samsung and Chinese brands that dominate world markets," said Amir Allawala, a senior member of the association.

He added that, due to new developments, the prices of many items are rising rapidly, such as solar panels, ICs, and chipsets, as the world moves towards 5G-compatible mobile devices.

Apart from Samsung and Apple, almost all mobile phone manufacturers globally have been hit by a severe shortage of memory chips.

Most mobile phone chipsets for motherboards, such as processors and memory chips, are produced in Taiwan. Apple and Samsung phones, however, have their own supply lines for memory chips used in their devices.

Supply of memory chips has been constrained in Taiwan and Japan due to continuously rising demand across all sectors, including non-mobile manufacturers.

"This is because of extensive use of AI in almost all apps, which has led to the use of higher-capacity memory chips," said Zeeshan Miannoor, vice chairman of the PMPMA.

"Now almost all preloaded apps on phones have AI features, which has led to increased memory requirements for both RAM and ROM," he added.

Currently, the minimum smartphone memory configuration is 4GB RAM (random access memory) and 64GB ROM (read-only memory).

RAM serves as short-term storage for what the CPU is currently using, while ROM stores permanent startup code and essential data.

Taiwanese memory-chip makers have almost stopped producing 4GB/64GB chips, and prices of 4GB/128GB IC chips have increased significantly due to a shift in production towards 6GB/256GB chips.

"This is because the world is shifting to higher-capacity and 5G-compatible sets," said Naveed Gaba, CEO of VGOTel.

As manufacturers shift to higher-capacity memory chips, there is a shortage of lower-capacity chips, while newer ones are more expensive.

He added that Chinese companies have started focusing on chip manufacturing, but this will take time.

Meanwhile, a senior expert in the field said recent conflicts in 2025 have highlighted the importance of autonomous weaponry such as missiles and drones. The expert added that high-grade chipsets and memory chips are in demand from sectors beyond IT and telephony.

Mr Allawala added that smartphone prices will rise and that the government needs to devise innovative options.

"There have been talks for some time about smartphones being sold on installments. This would allow consumers to buy phones more easily," he said, adding that the government must facilitate greater localisation, which would help reduce the cost of other components used in mobile sets.

Around 31 million mobile sets are produced locally, but about 47pc are still 2G feature phones, as 4G and data services are not available in many remote and low-population areas.

After the upcoming spectrum auction, demand for smartphones with higher memory capacity is also expected to increase, as telecom operators roll out 4G services in more underserved areas.

Smuggling curbs lift imports

Strict enforcement and port scrutiny push traders towards formal channels

By Mubarak Zeb Khan

ISLAMABAD: Regular imports of smuggle-prone items grew significantly in the first five months (July-November) of the current fiscal year, owing to tighter enforcement against products entering the domestic market duty-free and more effective measures at ports to curb under-invoicing.

The shift has translated into higher customs duty and tax collection at the import stage, while also easing pressure on domestic manufacturers who have long struggled to compete with untaxed and under-priced goods entering the market through illegal routes.

Official data available with *Dawn* showed a substantial rise in the value of regular imports of items traditionally associated with smuggling, pointing to the impact of tighter enforcement and improved scrutiny at ports.

The import value of tyre imports increased 56.90 per cent to Rs4.383 million in 5MFY26 from Rs2.793m in 5MFY25.

Fabric imports surged 67pc to Rs159.387m from Rs95.215m, marking one of the largest absolute gains during the period.

Imports of toiletries and cosmetics climbed 78pc to Rs29.156 in M5FY26 from Rs16.372m in 5MFY25. The value of electronics imports surged 107pc to Rs14.185m from Rs6.852m. Betel nut imports increased 46pc to Rs10.071m from Rs6.880m in 5MFY25

The value of edible imports rose to Rs156.579m in 5MFY26 from Rs155.915m in 5MFY25, indicating limited movement in this category.

The overall rise in documented import values suggests a shift away from informal channels toward regular trade, contributing to higher duty and tax collection while easing competitive pressure on domestic producers from untaxed goods entering through smuggling routes.

Enforcement measures

The FBR vide SRO 1637 of 2024 created a more integrated command-and-control structure with clearer jurisdictions and stronger coordination mechanisms through a consolidated national framework. This new setup was created on Oct 18, 2024.

Official data showed that the Customs Intelligence department recorded seizure values of Rs66.396 billion in 16,990 cases during the period from November 1, 2023 to Oct 31, 2024, when the old operational setup was in place.

From November 2024, FBR reorganised the formation, replacing the earlier structure with a new Customs Enforcement setup.

According to official data, seizure values increased to Rs91.186bn in 17,183 cases between Nov 1, 2024 and Oct 31, 2025. A comparison of the two periods shows a 37pc increase in the value of seizures, while the rise in the number of cases remained marginal.

The case volume remained stable, while average value per case rose from about Rs3.91 million to Rs5.31 million (about 36pc improvement), indicating higher-quality targeting.

Moreover, coordinated raids resulted in recoveries across cigarettes, gutka, China salt, acetate tow, narcotics and tyres, reflecting broadened footprint and responsiveness to emerging trends.

The post-November 2024 period demonstrates a marked improvement in outcomes, particularly in seizure value, indicating stronger targeting and higher-impact interdiction, according to customs officials.

Under-invoicing

The enforcement formations also thwarted attempts of mis-declaration and under-valuation by unscrupulous importers/agents and made out huge seizures/contraventions during the year under review.

According to official data, enforcement units operating inside and outside ports detected 174 cases of misdeclaration between November 1, 2024 and Nov 30, 2025, involving goods valued at Rs30.459 billion.

The duty and taxes evaded in these cases were assessed at Rs1.375bn, highlighting the extent of revenue leakage uncovered through enforcement actions during the period.

TEXTILE mills have ramped up cotton purchases as production remains 45pc lower than the official target.—Reuters/file

Cotton prices set to rise on strong demand

By Amjad Mahmood

LAHORE: Domestic cotton prices are expected to firm up in the coming days as textile mills accelerate purchases, buoyed by rising cotton yarn and fabric prices in China during the last two weeks of December and stronger local demand.

Cotton Ginners Forum Chairman Ihsanul Haq says market sentiment has improved despite cotton production being about 45 per cent below the official target. He noted that production is still likely to exceed earlier estimates by 100,000 to 150,000 bales, while aggressive buying by textile mills has provided price support.

According to data released by the Pakistan Cotton Ginners Association (PCGA) on Saturday, total cotton arrivals at ginning factories stood at 5.434 million bales as of Dec 31, 2025, almost unchanged from 5.452m bales recorded during the same period last year.

During Dec 16-31 alone, textile mills purchased around 218,000 bales, higher than expectations. Mr Haq said purchases could have been at least 50,000 bales more had transporters' strike not disrupted supplies.

By end-December, textile mills had consumed 4.708m bales, compared to 4.65m bales last year, while exporters and market players purchased about 176,000 bales. Current cotton stocks stand at 549,664 bales, slightly lower than last year's level, indicating tighter availability. At present, 223 textile factories are operational across the country.

Regionally, Punjab ginning factories received 2.541m bales, down 4.44pc year-on-year, while Sindh recorded 2.893m bales, up 3.58pc. Despite lower reported cultivation area, Sindh's production remained higher by 352,000 bales up to Dec 31, 2025. Notably, cotton arrivals during Dec 16-31 surged 56pc compared to the same period last year.

He also cautioned that any government approval for new sugar mills could cut cotton cultivation by up to 50pc, forcing Pakistan to import billions of dollars' worth of cotton and edible oil annually. He urged continuation of the ban on new sugar mills and capacity expansion in designated cotton zones.

Spot rate suspension

Mr Haq expressed serious concern over the suspension of official spot cotton rates by the Karachi Cotton Association (KCA) for the past three weeks following FIA's sealing of the KCA building on Dec 12. He warned that the absence of spot rates — the first time since 1973 — has disrupted bank financing for mills and ginners and damaged Pakistan's credibility in global cotton markets. Several exporters' associations have appealed to Prime Minister Shehbaz Sharif for urgent resolution.

Industry data highlight deeper structural challenges. Pakistan's textile industry requires around 16m bales annually, but domestic availability has stagnated at 11-12m bales, necessitating imports of nearly 5m bales each year.

Sajid Mahmood, head of Transfer of Technology, Central Cotton Research Institute, Multan, stresses that enhancing domestic production through research and development, accurate ginning-stage monitoring, and institutional reforms is critical.

Analysts agree that sustained investment in cotton, the backbone of the textile value chain, is essential for stabilizing prices, reducing import dependence, and strengthening Pakistan's export competitiveness, he concludes.

Tough vetting for job seekers may hit remittances

By Shahid Iqbal

KARACHI: Growth in remittances could face a decline or may not show any significant growth particularly from the Middle Eastern countries, said multiple sources.

While securing visas for Arab countries is getting tough, local authorities have also adopted strict rules to check the exodus of skilled and unskilled workers.

A recruiting agent said getting a visa has become very difficult while double checking for a job seeker on a work visa has made success almost impossible.

"For even lowest paid jobs, delegations come to Pakistan for personal verification and they carry out detailed scrutiny, reducing the chance for overseas jobs," according to an official working for a recruiting agency.

The country received record inflows of $38 billion in remittances in FY25, a definitive indicator that most of the 1.5 million Pakistanis who have left the country over the last three years, found jobs in Middle Eastern countries.

Growth in remittances is already much lower this year (FY26) than the figures for last year (FY25), but the amount of remittances is higher. During July-Nov FY26 growth in remittances was 9.3 per cent, compared to 33.6 per cent during the same period of last fiscal year.

The government has chalked out a strategy to assist Pakistanis find jobs overseas and to gain a first-hand insight into the challenges confronting them overseas. However, the exchange companies also mentioned the problem with the new jobs-seekers.

Thousands of beggars were arrested last year, particularly in Saudi Arabia and most of them were Pakistanis. It damaged the country's reputation and increased concerns in countries providing jobs.

The malaise alerted the Saudi Authorities as well as Pakistani authorities. Now immigrants face tough scrutiny in both the countries — Pakistan and the destination.

51,000 offloaded

In mid-December, a meeting of the National Assembly Standing Committee on Overseas Pakistanis was informed that 51,000 passengers were offloaded at Pakistani airports this year after failing immigration checks.

Over the past few months, numerous incidents have been reported of travellers being offloaded from flights at various airports, despite possessing valid travel documents. These actions followed a crackdown on migrant smuggling launched after the 2024 Greece boat tragedy, which claimed the lives of several Pakistanis.

"So far the symptoms of decline in inflows have not appeared, but will appear sooner or later," said a source in the financial market.

Another problem is that unskilled workers are no longer needed in Saudi Arabia and other Arab countries due to increasing influx from other countries. Moreover, Arab countries have started providing as many jobs to their own citizens as possible.

"Only high-skilled labourers or experts in Information Technology have a chance to get a job in the coming months and years," said the source.

Dozens of Pakistani IT companies shifted to Dubai last year due to poor internet facilities, high cost of electricity and uncertainty in the country — both economic and political.

Fertiliser, steel prices fall; cement remains stable

Labour charges increase in urban areas in 2025

By Aamir Shafaat Khan

KARACHI: The national average prices of fertiliser, steel bars and different labour charges have declined in the last year, while cement prices remained almost unchanged.

However, the fertiliser and cement sector showed quite impressive sales in the first half of the current fiscal year.

As per the Sensitive Price Index (SPI), the week ending Jan 1 versus the week ending Jan 2, 2025, the price of Sona urea fell to Rs4,323 from Rs4,540 per bag, while other urea brands' rates dipped to Rs4,212 from Rs4,391.

Urea sales had already clocked in at an all-time high of 1.356m tonnes in December 2025, up 65 per cent month-on-month (MoM) and 37pc year-on-year (YoY), taking urea offtake in 2025 to 6.73m tonnes, up by 2pc as dealers and companies offered higher discounts on urea bags.

Cement rates, as per SPI data, remained almost unchanged at Rs1,407 per 50 kg bag, despite a slight upsurge in demand on account of improving construction activity. Domestic sales of cement rose by 13.11pc in July-December FY26 to 21.152m tonnes from 18.7m tonnes in the same period last fiscal.

While cement and steel bar rates had not shown a steep rise, SPI data showed that labour charges across various categories had risen over the last year.

Steel bar rates for different grades, which were hovering at Rs240,000-270,000 per tonne in January 2025, are now at Rs220,000-230,000 per tonne.

Association of Builders and Developers (ABAD) Chairman Hassan Bakhshi said demand for steel bars and cement remained relatively low in regularised high-rise buildings due to dwindling construction activities in this area. In contrast, demand for these two specific items might have remained normal or high in small- to medium-sized legal and illegal projects.

The ABAD chief said that the price of a 50 kg cement bag had recently risen by Rs30 due to an axle-load issue.

Pakistan Association of Large Steel Producers Secretary General Syed Wajid Bukhari says the top steel bar brand is priced at Rs226,000 per tonne. At the same time, some manufacturers sell them for as low as Rs215,000 because demand is low.

As per SPI data, the national daily average painter charges rose to Rs1,709 from Rs1,676, followed by an increase in mason (raj) rates to Rs1,987 from Rs1,916.

Similarly, the national average daily plumber charge rose to Rs1,754 from Rs1,734, while the electrician charge (per point) rose to Rs279 from Rs267.

The ABAD chief said the average labour charges across cities appear satisfactory, as labour charges in rural areas remain mainly low compared to higher rates in cities, especially Karachi.

For example, painters doing quality work in Karachi are charging Rs2,500-3,000 per day.

New year cheer lifts stocks to fresh peaks

Index surged above 179,000 in outgoing week on value buying

By Muhammad Kashif

KARACHI: Despite falling exports and a widening trade deficit in the first half of FY26, the Pakistan Stock Exchange (PSX) sustained its record-setting rally during the final two sessions of the outgoing week, propelling the benchmark index close to an unprecedented level near 179,500 mark as investors continued value-hunting at the start of the new year.

According to Topline Securities Ltd, the year began on a strong footing, with the KSE-100 Index gaining about 4pc week-on-week, driven largely by buying from local mutual funds, as reflected in National Clearing Company data. Improved sentiment was underpinned by a softer inflation reading and expectations of further monetary easing.

Key macro developments during the week included December 2025 consumer inflation easing to 5.61pc year-on-year from 6.15pc in November. Meanwhile, the trade deficit for December widened to $3.7bn, up 24pc year-on-year and 28pc month-on-month, highlighting persistent pressure on the external account despite broader macro stabilisation. The deficit swelled 34.57pc to $19.204bn in July-December 2025-26 against $14.271bn over the corresponding period last year.Market participation strengthened further, with average daily traded volume rising nearly 10pc week-on-week to around 1.3bn shares, while the average traded value clocked in at Rs49bn, reflecting sustained participation amid the rally.

Arif Habib Ltd reported that the KSE-100 index climbed from 172,401 points last week to 179,035 points, marking a gain of 6,634 points or 3.9pc week-on-week. The advance was supported by year-opening buying interest and improved confidence around macro indicators.

On the growth front, GDP expansion in 1QFY26 was recorded at 3.71pc, improving sharply from 1.56pc in 1QFY25, though moderating from 6.17pc in 4QFY25. Growth was led by strong industrial expansion of 9.4pc, while agriculture and services posted growth of 2.9pc and 2.4pc, respectively.

In the energy sector, oil marketing companies (OMCs) reported December 2025 sales of 1.35m tonnes, up 6pc year-on-year, although volumes declined 5pc month-on-month. Cumulatively, OMC offtake during 1HFY26 reached 8.16m tonnes, reflecting a modest 2pc annual increase.

Refinery throughput edged up 0.9pc year-on-year in December, supported by higher petrol and furnace oil (FO) offtake, which offset weaker high-speed diesel (HSD) demand. HSD sales declined 8.6pc year-on-year to 396,000 tonnes, likely due to increased OMC imports amid falling prices and cross-border tensions. In contrast, FO sales rose 11.1pc to 227,000 tonnes, mainly on the back of higher refinery exports, though these were reportedly executed at a loss.

On the pricing front, petrol price fell by Rs10.28 per litre to Rs253.17, reflecting a Rs11.09 cut in the ex-refinery price, partially offset by a Rs0.81 increase in inland freight equalisation margin. HSD prices declined by Rs8.57 per litre to Rs257.08, following a Rs9.59 reduction in ex-refinery prices.

Foreign exchange reserves held by the State Bank of Pakistan increased marginally by $12.6m to $15.9bn during the week, while commercial bank reserves declined by $23m to $5.1bn. The rupee showed marginal strength, appreciating 0.02pc week-on-week to close at Rs280.11 against the US dollar.

AKD Securities Ltd noted that the market surged to a fresh all-time high, with momentum supported by the softer-than-expected inflation and a sharp rally in exploration and production stocks. Sentiment in the energy space was boosted by Oil and Gas Development Company's oil and gas discovery in the Nashpa Block, where a second formation yielded 4.1kbpd of oil and 10.5mmcfd of gas, adding to an earlier discovery announced in December.

Looking ahead, analysts expect sentiment to remain largely positive. The KSE-100 Index is currently trading at a price-to-earnings ratio of about 8.7 times, broadly in line with its long-term average, while offering a dividend yield of around 5.6pc.